

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 AGR-20 CEA-02 COME-00 EB-11

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSC-07 PA-04

RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

PRS-01 SP-03 FEA-02 OMB-01 SWF-02 OPIC-12 AF-10

ARA-16 EA-11 NEA-14 DRC-01 /242 W  
----- 110822

O R 211833Z MAY 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 6922

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY HELSINKI IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 EC BRUSSELS 3328

REF: -. PARIS 12043; B. MYERSON/STR TELECONS MAY 20 AND MAY 21;  
C. EC BRUSSELS 3187

HELSINKI PASS AMBASSADOR MALMGREN

1. SUMMARY: THE EC COMMITTEE OF PERMANENT REPRESENTATIVES  
(COREPER) MET THE MORNING OF MAY 21 TO CONTINUE DIS-  
CUSSION OF THE COMMISSION'S PROPOSALS FOR SETTLEMENT  
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OF ARTICLE XXIV:6 NEGOTIATION. WHILE ITALY, BELGIUM,

AND FRENCH CONTINUED TO RAISE PROBLEMS, BOTH SENIOR COMMISSION OFFICIALS AND A PERMREP SOURCE HAVE REPORTED TO US THAT PROGRESS WAS MADE IN THIS MEETING AND THEY LOOK FORWARD WITH SOME OPTIMISM TO THE NEXT COREPER MEETING MAY 22 AT 6 P.M. PRIOR TO THE MEETING WE AGAIN APPROACHED SOAMES AND HANNAY TO URGE PROMPT ACTION ON THE PACKAGE. EMBASSY BRUSSELS IS REPORTING SEPARATELY ABOUT FURTHER EMBASSY AND USEC EFFORTS WITH THE BELGIAN GOVERNMENT TODAY. END SUMMARY.

2. THE EC COMMITTEE OF PERMREPS MET THE MORNING OF MAY 21 TO CONSIDER FURTHER THE COMMISSION'S PROPOSALS REGARDING THE ARTICLE XXIV:6 NEGOTIATION (REFTEL C). IMMEDIATELY AFTER THE MEETING WELLENSTEIN, THE COMMISSION'S DIRECTOR GENERAL FOR EXTERNAL RELATIONS, HIJZEN, DEPUTY DIRECTOR GENERAL, AND HANNAY, CHEF DE CABINET TO SOAMES, MET WITH MISSION OFFICERS. THIS TELEGRAM IS BASED ON THEIR ACCOUNT OF THE MEETING, SUPPLEMENTED BY INFORMATION RECEIVED FROM A PERMREP SOURCE.

3. THE MEETING WAS ONE IN WHICH SOME MOVEMENT WAS DISPLAYED, ENOUGH SO THAT THE COREPER WILL MEET AGAIN MAY 22 AT 6 P.M. BRUSSELS TIME. THERE CONTINUED, HOWEVER, TO BE SERIOUS DIFFICULTIES OF THREE GENERAL SORTS.

4. PROCEDURE. ITALY AND BELGIUM ARGUED THAT GIVEN THE DIFFICULTIES THEY HAD WITH THE COMMISSION PROPOSAL FOR SUPPLEMENTARY CONCESSIONS, THE COMMISSION SHOULD RESUME DISCUSSIONS WITH THE US WITH A VIEW TO CHANGING THE PROPOSAL. THE COMMISSION RESISTED THESE SUGGESTIONS, ARGUING THAT IT HAD BEEN CHARGED WITH THE TASK OF CONCLUDING THE NEGOTIATION, THAT THE US COULD SETTLE ON THIS BASIS, AND THAT THE COMMISSION COULD NOT ENVISAGE ANY OTHER PROPOSAL BEING ACCEPTABLE. THE GERMAN CHAIRMAN OF THE COREPER SUPPORTED THE COMMISSION IN THIS STAND.

5. SPECIFIC OBJECTIONS. THE ITALIANS ARE REPORTED TO HAVE STATED THAT THEY COULD NOW ACCEPT A CONCESSION ON BURLEY TOBACCO AS WELL AS ON VIRGINIA TOBACCO. HOWEVER, CONFIDENTIAL

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THE FURTHEST THEY COULD GO ON THESE TYPES WAS A TARIFF OF FOURTEEN PERCENT WITH A CEILING DUTY OF FIFTY UNITS OF ACCOUNT PER 100 KILOS (AS COMPARED WITH 45 U/A IN THE COMMISSION PROPOSAL). THE ITALIANS ALSO HAD PROBLEMS ON KRAFT. THE PROPOSED, WE UNDERSTAND, THAT THE TARIFF REDUCTION ON DIESEL ENGINES BE PHASED IN-POSSIBLY OVER TWO YEARS. THEY ALSO MADE NEGATIVE NOISES REGARDING THE MARINE ENGINE CONCESSION AND SUGGESTED THAT A LESSER

CONCESSION BE MADE.

6. ACCORDING TO OUR SOURCES, THE BELGIANS SAID THAT THEY COULD NOT AGREE THAT THE FILM CONCESSION INCLUDE 35 MILLIMETER FILM, AND THEY CONTINUED TO OBJECT TO THE PROPOSED CONCESSIONS ON SCRAPERS AND OUTBOARD MOTERS. THE FRENCH APPARENTLY CONTINUED TO RESERVE THEIR POSITION IN GENERAL BUT SUGGESTED THEY MIGHT HAVE SOME SPECIFIC DIFFICULTIES.

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USMISSION GENEVA

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7. PROBLEMS REGARDING GRAINS (REF A). THERE WAS SOME MOVEMENT WITH REGARD TO THE FRENCH INSISTENCE ON AN INTERNAL UNDERSTANDING AMONG THE NINE THAT THE COMMUNITY WOULD AUTOMATICALLY RETALIATE IF THIRD COUNTRIES, IN THE FUTURE, EXERCISED THEIR RESERVED GRAIN RIGHTS BY WITHDRAWING CONCESSIONS. THE DANES, THE GERMSNS AND THE DUTCH HAVE NOW APPARENTLY JOINED THE BRITISH, WHO HAD PREVIOUSLY BEEN ISOLATED, IN OPPOSING SUCH A FORMULA. CONFIDENTIAL

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IT WAS AGREED THAT THE COMMISSION SHOULD TRY TO WORK OUT SOME COMPROMISE LANGUAGE WHICH COULD BE ADOPTED AS AN INTERNAL MINUTE.

8. THERE WAS ALSO SOME SHIFT WITH REGARD TO THE DECLARATION ON GRAINS TO BE MADE BY THE COMMUNITY IN THE GATT COUNCIL. WHILE THE FRENCH CONTINUED TO INSIST THAT ANY FUTURE DISCUSSION OR NEGOTIATION OF OUR GRAIN RIGHTS SOULD BE SUBJECT TO THE PRINCIPLES OF THE COMMUNITY'S "OVERALL VIEWS" OF THE MTNS, THEY HAVE SOFTENED THEIR INSISTENC THAT THE LANGUAGE TO BE USED BEFORE THE GATT COUNCIL BE CHANGED. THERE ARE NOW INDICATIONS THEY WOULD BE PREPARED TO SETTLE FOR AN INTERNAL MINUTE ON THIS POINT ALSO. THE FRENCH INSISTENCE ON THIS REFERENCE TO THE PASSAGE ON AGRICULTURE OF THE "OVERALL VIEW" CONTINUES TO BE TROUBLESOME TO THE BRITISH BECAUSE, IN THEIR VIEWS, AGREEING TO IT WOULD CONSTITUTE AN INDIRECT RECOMMITMENT TO THE CAP. THUS, THE ARGUMENT ON THIS POINT SEEMS INCREASINGLY A DIRECT FRANCO-BRITISH SQUABBLE WHICH DOES NOT DIRECTLY INVOLVE THE SUBSTANCE OF THE ARTICLE XXIV:6 PACKAGE BUT COULD PROVE A STUMBLING BLOCK TO FINAL AGREEMENT ON IT.

9. WHILE MAJOR DIFFICULTIES CONTINUE TO EXIST, BOTH OUR EC COMMISSION AND PREMREP SOURCES WERE RELATIVELY OPTIMISTIC WITH REGARD TO BOTH TODAY'S DEVELOPMENTS AND THE PROSPECTS FOR FURTHER MOVEMENT IN TOMORROW EVENING'S MEETING. THE COMMISSION ECPHASIZES THE IMPORTANCE, AT THIS TIME, OF STICKING TO THE PACKAGE AND AVOIDING WEAKENING ON ANY INDIVIDUAL ITEM SINCE THIS WOULD RISK A GENERAL UNRAVELLING.

10. PRIOR TO THE OPENING OF THE COREPER MEETING, ON THE BASIS OF REF B, THE AMBASSADOR TALKED WITH EC COMMISSION VICE PRESIDENT SOAMES, THE DCM WITH SOAMES' CHEF DE CABINET, HANNAY, AND A MISSION OFFICER WITH THE COUNSELOR OF THE BELGIAN PERMREP, TO RE-ENFORCE THE POINT THAT THE COMMUNITY NEEDED TO SETTLE THIS ISSUE PROMPTLY. WE ALSO ADVISED THE COMMISSION OFFICIALS OF THE EFFORTS WE HAD MADE TO GET STATMENT FOR THE BELGIANS REAGRADING THE

EFFECTS ON PRODUCTION AND EMPLOYMENT OF US AFFILIATES IN  
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BELGIUM OF THE PROPOSED CONCESSIONS ON OUTBOARD MOTORS,  
DUMPERS, AND SCRAPERS.(EMBASSY BRUSSELS IS REPORTING  
SEPARATELY ON THE CONTACTS IT HAD TODAY WITH THE BELGIAN  
FOREIGN MINISTRY ON THIS ISSUE.) WE ALSO RE-EMPHASIZED  
THAT THE US IS STICKING WITH THE COMMISSION'S PACKAGE AND  
THAT THE US IS NOT REPEAT NOT PREPARED TO DICKER BILATERALLY  
ON AN ITEM-BY-ITEM BASIS.  
GREENWALD

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## Message Attributes

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